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SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT:
DECEMBER27, 1977

1. EC RELATIONS WITH ASEAN (LIMITED OFFICIAL USE)

EC COMMISSION VICE PRESIDENT FOR EXTERNAL RELATIONS,
WILHELM HAFERKAMP, OBTAINED CONSIDERABLE SUCCESS IN
HIS RCENT VISITS TO ASEAN CAPITALS. HAFERKAMP REIN-
FORCED EC INTEREST IN ASEAN BY TENTATIVELY AGREEING
THAHTHERE SHOULD BE AN EC/ASEAN MINISTERIAL MEETING
AND THAT THE EC WOULD CONSIDER ESTABLISHING A REGIONAL
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OFFICEIN A YET UNDETERMINED ASEAN CAPITAL. IN LATE
NOVEMBER THE EC HELD ITS FIRST MEETING AT AMBASSADORIAL
LEVEL WITH ASEAN; THE NINE EC PERMANENT REPRESENTATIVES
MET WITH THE ASEAN AMBASSADORS IN BRUSSELS. NO MAJOR
DECISIONS WERE REPORTED. THE EC IS ALSO REPORTEDLY
CONSIDERING HOLDING A SECOND INDUSTRIAL CONFERENCE IN
JAKARTA NEXT YEAR. PHILIPPINE OFFICIALS SAY THAT ASEAN

SHOULD NOT GO AHEAD WITH A MINISTERIAL MEETING UNTIL AGREEMENT IS REACHED WITH THE EC ON SELECTED ISSUES. THEY DO NOT EXPECT TO HOLD SUCH A MEETING UNTIL LATE 1978 OR EARLY 1979. THE EC IS OBVIOUSLY TRYING TO STRENGTHEN ITS RELATIONSHIPS WITH ASEAN.

SEA OFFICIALS WELCOME THESE EFFORTS AS A MEANS OF ENHANCING ASEAN PRESTIGE AND OF DIVERSIFYING ITS RELATIONS WITH INDUSTRIALIZED COUNTRIES.

2. FOREIGN AFFAIRS BUDGET (CONFIDENTIAL)

THE PRESIDENT DECIDED ON AN AID PROGRAM LEVEL OF DOLLARS 1,656 MILLION, EXCLUDING SECURITY SUPPORTING ASSISTANCE, FOR FY 79 TO BE SUBMITTED TO CONGRESS. THIS COMPARES TO AN FY 78 PROGRAM OF DOLLARS 1,430 MILLION. IF CONGRESS APPROVES THE REQUEST, PRESENT PROGRAMMING WOULD GIVE DOLLARS 141 MILLION IN FY 79 TO THREE EA COUNTRIES COMPARED TO DOLLARS 136.2 MILLION IN FY 78 AND DOLLARS 80.3 MILLION IN FY 77. THE FY 79 AMOUNT WOULD BE BROKEN DOWN AS FOLLOWS: PHILIPPINES, DOLLARS 55 MILLION; INDONESIA, DOLLARS 73 MILLION; AND THAILAND, DOLLARS 13 MILLION. AID HAS ALSO EARMARKED DOLLARS 20 MILLION FOR REGIONAL ACTIVITIES, OF WHICH DOLLARS 2-4 MILLION MAY GO TO ASEAN PROJECTS. THE PRESIDENT ALSO APPROVED FY 79 FOOD AID PROGRAMS OF

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TITLE I, DOLLARS 840 MILLION, EXCLUDING RECEIPTS, AND TITLE II, DOLLARS 573 MILLION COMPARED TO ORIGINAL REQUESTS OF DOLLARS 1,767 MILLION AND DOLLARS 649 MILLION RESPECTIVELY. AID TENTATIVELY EARMARKS THE FOLLOWING TITLE I AND TITLE II AMOUNTS RESPECTIVELY FOR EA COUNTRIES: PHILIPPINES, DOLLARS 19.2 AND DOLLARS 2.7 MILLION; INDONESIA, DOLLARS 106 AND DOLLARS 6.6 MILLION; AND KOREA, DOLLARS 56 MILLION, TITLE I ONLY.

3. ADB VICE PRESIDENT (VP) (CONFIDENTIAL)

ADB PRESIDENT YOSHIDA HAS OFFERED THE NEW VP POSITION TO STANLEY KATZ, CURRENTLY DEPUTY ASSISTANT SECRETARY AT COMMERCE. THIS OFFER IS SUBJECT TO FINAL APPROVAL OF THE ADB BOARD OF DIRECTORS; SUCH APPROVAL IS EXPECTED WITHOUT DIFFICULTY. KATZ HAS INDICATED WILLINGNESS TO ACCEPT THE POSITION ON THE UNDERSTANDING THAT CERTAIN REMUNERATION PROVISIONS BE WORKED OUT. YOSHIDA WOULD LIKE KATZ TO JOIN THE ADB BEFORE THE END OF MARCH. U.S. EXECUTIVE DIRECTOR EDMOND IS CONVINCED THAT THE PRESENCE OF A STRONG U.S. NATIONAL AS VP WOULD HELP FOCUS BANK'S ACTIVITIES ON ISSUES AND AREAS OF INTEREST

TO THE U.S.

4. ADB PROPOSES PROGRAM LENDING (L-O-U)

ADB MANAGEMENT HAS PROPOSED THAT THE BANK BEGIN PROGRAM LENDING. THE U.S. HAS TAKEN THE POSITION THAT THE ADB SHOULD CONTINUE TO PROVIDE ONLY PROJECT LOANS BECAUSE THIS INSURE THE BEST USE OF ITS LIMITED RESOURCES AND WOULD AVOID SETTING AN AWKWARD PRECEDENT FOR OTHER REGIONAL IFIS. MOST DONOR COUNTRIES, HOWEVER, SUPPORT PROGRAM LENDING. THE U.S. CONSEQUENTLY IS CONSIDERING A RESTRAINED PROGRAM WITH TIGHT LENDING CRITERIA SUCH AS BALANCE OF PAYMENTS NEEDS, NO ALTERNATIVE SOURCE OF FINANCING, AND SPECIFYING THE PURPOSE OF LOAN. THE CONFIDENTIAL

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U.S. WOULD ALSO WANT TO LIMIT THE MATURITY OF PROGRAM LOANS TO 15 YEARS AND TO PLACE AN ANNUAL CEILING ON PROGRAM LENDING. THE JAPANESE POSITION WILL BE THE KEY DETERMINANT IN BOARD'S DECISION.

5. TIN (LIMITED OFFICIAL USE)

DSPITE EXTENSIVE AND HEATED DEBATE EXTENDING OVER A TEN DAY PERIOD, THE INTERNATIONAL TIN COUNCIL ECONOMIC AND PRICE REVIEW PANEL WAS UNABLE TO AGREE ON WHAT ACTION TO RECOMMEND TO THE COUNCIL (MEETING JANUARY 16-20) CONCERNING THE ITC PRICE BAND. THE DISCUSSION FOCUSED ON PRODUCTION DISINCENTIVES CAUSED BY AD VALOREM EXPORT TAXES AND ROYALTIES WHICH CONSUMERS POINTED TO AS DIS-

INCENTIVES TO INCREASED TIN OUTPUT IN A TIME OF SHORTAGE. JAPAN, GERMANY AND THE UK JOINED US IN OPPOSING A PRICE INCREASE AND HAVE COMMITTED THEMSELVES TO CONSULT WITH US SHOULD THEIR POSITION CHANGE BEFORE THE ITC MEETING.

6. SITE OF UN CONFERENCE ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT (UNCSTD) (LIMITED OFFICIAL USE)

THE UNGA PLENARY DECIDED ON DECEMBER 15 TO HOLD THE TWO WEEK UNCSTD IN VIENNA SOMETIME IN 1979. WE HAD LOBBIED TO HOLD THE CONFERENCE IN THE U.S., BUT ON THE FIRST BALLOT U.S. RECEIVED ONLY 38 VOTES COMPARED TO AUSTRIA, 52, AND MEXICO, 46. AFTER THE VOTE, U.S. PLEDGED ITS EFFORTS TO ENGAGE SCIENTIFIC COMMUNITY, IN ORDER TO MAKE BEST CONTRIBUTION POSSIBLE.

7. TRADE ACTIONS (UNCLASSIFIED)

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ZINC - THE U.S. ZINC INDUSTRY HAS FILED A PETITION
WITH HE INTERNATIONAL TRADE COMMISSION SEEKING
RELIEF FROM IMPORTS OF ZINC SLABS. JAPAN, THAILAND
AND AUSTRALIA ARE AMONG THE SUPPLIERS. THE ITC HAS
SIX MONTHS TO MAKE AN INVESTIGATION AND REPORT TO
THE PRESIDENT.

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